

**Indiana Education Savings Authority  
RFP for Investment and Administrative Services  
Pre-Proposal Conference  
July 11, 2007**

**Attendance**

Richard Mourdock	Treasurer of State
Jim Holden	Treasurer's Office
Jodi Golden	Indiana Education Savings Authority
Shannon Thompson	Indiana Education Savings Authority
Mary Anne Busse	Great Disclosure LLC
Bill Mauger	Capital Cities
Janet Sweet	Capital Cities
Joe Bill Wiley	Capital Cities

Bernie McNamara	Upromise Investments, Inc.
Molly Bodell	Upromise Investments, Inc.
Joseph Tine	Upromise Investments, Inc.
Larry Wardlaw	Asher Agency
Rocky Granahan	Oppenheimer Funds
Bruce Sheinhaus	TIAA-CREF
Matt Kambruowski	JP Morgan
Rich Harcourt	National City
Chad Walker	Allegiant Asset Management
Raquel Quinn	JP Morgan
John Schlechte	JP Morgan
Jay Steinacher	Union Bank

**Financial Services**

- 1. For the Direct Plan, can you please provide the number of total accounts and assets by zip code in Indiana?**

This information is contained in Attachment A.

- 2. For the Advisor Plan, can you provide a list of the top 50 broker-dealers by assets?**

This information is contained in Attachment B.

- 3. Can you provide assets by portfolio and share class (where applicable), both in and out of state?**

This information is contained in Attachment C.

- 4. For the Advisor Plan, can you provide a breakdown of plan assets by state of residence?**

This information is contained in Attachment D.

- 5. For the Advisor Plan, can you provide the total number of unique advisors who have sold the plan in the past year?**

The total number of unique advisors who sold CollegeChoice during the last 12 months is 4055.

- 6. Please provide the underlying mutual fund allocations by portfolio.**

That information is provided on page 82 of the RFP.

- 7. On page 15 of the proposal, it states, "The Provider must design distinct investment options for each of the Direct Plan and the Advisor Plan. Is it a requirement for the investment options to be different between programs or can they be the same?"**

A Provider may provide for the same offerings under the Direct Plan and the Advisor Plan.

- 8. On page 19: Under Financial Services, 3, Describe the Provider's internal and outside mutual fund offerings including the amount of revenue sharing with each mutual fund. What is meant by internal and outside mutual fund offerings - are these the investment vehicles we are proposing for the Plan or the mutual funds that we manage separate and apart from the plan? Please clarify how you define revenue sharing. Does this include Rule 12b-1 fees, sub-transfer agency fees or other similar fees paid directly by the mutual funds?**

Internal and external revenue sharing refers to the proprietary options available in a Provider's platform as well as any arrangement with outside mutual fund companies. The Authority would like to know the availability of these options should an open architecture be considered. The Authority encourages each Provider to propose an initial investment structure for consideration. However, it is important to include a listing of all mutual funds, both proprietary and non-proprietary, that are available for consideration on your platform.

**9. On page 20, under Financial Services, 8, Describe how investment management fees may be used to reduce or offset other service fees. Can this be further explained?**

The Authority would like to understand any revenue sharing arrangements among the Provider and any other investment services firms. In particular, please explain how fees are used to reduce program manager administration costs.

**10. Is the Authority willing to accept an expense ratio of greater than 90 basis points for an investment option within the Direct Plan if the age-based and other options are below 90 basis points?**

The Authority is willing to review a bid that proposes an expense ratio greater than 90 basis points.

**11. The Direct Plan currently offers a Money Market fund. Is the Authority interested in offering any additional options that provide safety of principal?**

The Authority is willing to review additional options that provide safety of principal.

**12. Can the Authority provide a copy of the Investment Policy Statement?**

Yes. A copy is available online at [www.IN.gov/iesa](http://www.IN.gov/iesa) under the News and Meetings Notices tab.

**13. With respect to performance information, is monthly performance acceptable for the general public and daily performance, through on-line access and the phone center, acceptable for account owners?**

Yes.

**14. In what situation will the Authority consider multiple vendors for investment options? Would this be considered only during the initial evaluation or would it also be considered after the Management Agreement is signed? As this would adversely affect the pricing model of the current provider, what remedies would be provided?**

The Authority will consider multiple vendors for investment options during the initial evaluation and after the Management Agreement is signed. It is suggested that each Provider take into account the cost of providing an open architecture 529 plan when pricing its proposal.

**15. On page 7: under Administrative Fee, please clarify what is meant by consideration should be given to increase the Administrative Fee for achieving certain breakpoints.**

Depending on the method of calculating the Administrative Fee used by the Provider, the Authority is interested in receiving an increase in the Administrative Fee when assets in

CollegeChoice reach certain levels. The increase in the Administrative Fee would be used to support administration of CollegeChoice.

**16. On page 8: under Expense Ratio, The total expense ratio for the Savings Plan should be less than 90 bp (including the program management fee and the expense ratios for the underlying investment options) for the Direct Plan. Does this also refer to the State Authority Fee and administrative fee?**

Yes.

**17. On page 8: under Expense Ratio, The total expense ratio for the Advisor Plan should be within industry standards for a Provider providing program management services to a Direct and Advisor Plan. Does this mean that the "industry standard" for the Advisor Plan is the entire universe of 529 plans, not just the universe of Advisor Plans?**

"Industry standards" refers to the universe of advisor plans only.

**18. Please clarify the difference between the Annual Account Maintenance Fee and the State Authority Fee.**

The Authority currently receives a fee called the "State Authority Fee." This fee is collected by charging investors in the CollegeChoice advisor plan an annual fee. This fee is waived for residents of Indiana. The Annual Account Maintenance Fee as used in the RFP refers to any annual fee the Provider proposes to charge to investors on an annual basis. The Administrative Fee refers to the Provider's proposal for compensation to the Authority to support administration of CollegeChoice.

**19. Does the Authority or the program manager receive the proceeds from each of the Annual Account Maintenance Fee, Administrative Fee and State Authority Fee?**

The RFP does not require a State Authority Fee or an Annual Account Maintenance Fee, only an Administrative Fee, which is payable to the Authority to support its administration of CollegeChoice. The decision as to which party receives which fee should be presented by the Provider in its proposal. Please refer to the answer to question 18. above.

**20. Does the \$450,000 referenced in the RFP reflect proceeds from the Annual Account Maintenance Fee or the State Authority Fee?**

The \$450,000 referenced in the RFP reflects the approximate amount of the State Authority Fee received under the contract with the current program manager.

**21. Which fee is used to support the marketing budget? What else are these fees used for?**

The Provider should present its preferred proposal for how fees are to be distributed and utilized.

**22. Is there flexibility in the payment frequency of these fees?**

Yes.

**23. Are there other fees that the Authority wishes to assess?**

No.

**24. What is the total dollar amount of fees that the Authority received in 2005 and 2006? What is the expectation for 2007 and 2008?**

The total fee received by the Authority in 2005 was approximately \$448,800. In 2006, the amount was approximately \$445,400.

**Account Administration**

**25. Please provide the number of accounts and assets by investment option for the Direct Plan and Advisor Plan. If possible please also provide the following: Segmentation of this information by in-state vs. out-of-state account owners; Distribution by beneficiary age; Number of investment options versus number of accounts**

This information is contained in Attachment E. Also see the answer to Question 3 above.

**26. On page 14: Under Service Level Requirements, 2.e, Timeliness of Monthly, Quarterly and Year-End Account Owner Statements - 99% are mailed within 7 business days of approval. Whose approval and what is being approved? Is it the Authority's desire to approve all Quarterly and Year end account statements prior to mailing? The current SLA is 5 business days. Will this extend the SLA by 2 business days?**

The approval refers to the successful Provider's quality control review and approval process. It also refers to any approval of the Authority with regard to changes and updates to Account Owner Statements. The service levels presented are those that will be expected to be achieved by the Provider.

## **Marketing**

**27. In the introduction on page 2, #4, it states “Providers should consider their ability to provide a marketing and/or relationship manager within the State. Is this a requirement or a recommendation?”**

This is a recommendation and is preferred.

**28. On page 11: Under Marketing, This allows prospective account Owners to choose the plan(s) and investment options that best suit their specific needs and will also facilitate cross-selling opportunities. What cross-selling opportunities are you referring to?**

This refers to the Authority’s ability to market CollegeChoice to a broad spectrum of the population, offering investors a choice between a direct sold plan and an advisor sold plan.

**29. Can you provide the approximate allocation of the annual marketing budget across specific activities in the Direct and Advisor channels – for example: tv, print, radio, online, public relations events, etc.?**

	Historical Spend (Direct-sold)			
	2003	2004	2005	2006
TV				
Print				
Radio				
Direct Mail				
Online (Paid Search, Banners)				
Event Sponsorship				
Community & Employer Outreach				
Public Relations				
Marketing Collateral – Production				
Marketing Collateral – Mailing				
Other: (Please specify)				
<b>TOTAL</b>				

	Historical Spend (Advisor-sold)			
	2003	2004	2005	2006
<b>TV</b>				
<b>Print</b>				
<b>Radio</b>				
<b>Direct Mail</b>				
<b>Online (Paid Search, Banners)</b>				
<b>Event Sponsorship</b>				
<b>Community &amp; Employer Outreach</b>				
<b>Public Relations</b>				
<b>Marketing Collateral – Production</b>				
<b>Marketing Collateral – Mailing</b>				
<b>Other: (Please specify)</b>				
<b>TOTAL</b>				

The following information is currently available with regard to advertising efforts in each of 2003-2006.

Calendar Year	Advisor*	Direct**	Total***
2003	\$397,522	\$105,257	\$502,799
2004	\$275,823	\$170,008	\$445,831
2005	\$57,772	\$291,765	\$349,537
2006	\$301,531	\$265,050	\$566,581

\* Includes: advertising, sales aids, product brochures, fulfillment

\*\* Reflects actual State invoice amounts

\*\*\* Does not include distribution of disclosure statements, forms, legal or sponsorships

**30. Does the Savings Plan currently utilize field representatives to market CollegeChoice through employers, community groups, and other grass roots efforts? If so, how many representatives are there? Are these individuals employed by the Authority or by the current Provider?**

The Executive Director of the Authority conducts grassroot/in-state promotion activities. The current program manager has 5 field representatives that market to advisors/broker/dealers in and out of state.

**31. Does the Authority have staff dedicated to the marketing of the Direct Plan? If yes, how many people and what are their responsibilities?**

Yes. The Authority has one full-time employee, it's Executive Director. Her responsibilities include marketing CollegeChoice within the State of Indiana.

**32. What is the expected involvement of the Board with respect to marketing? Will they review all plans, budgets and materials before release or will there be a liaison that can provide such approvals? If there is a liaison, will s/he have the full authority and support of the Board to review and approve all marketing plans, budgets and materials? How often will the Board meet?**

The Board has the authority to review and approve all plans, budgets and materials prior to release. The Board also has the authority to delegate this responsibility. It is expected that the Board will determine annually which plans, budgets and materials it will review directly. The Board currently meets quarterly.

**33. Can the 2006 Marketing Plan be provided?**

A summary of the 2006 marketing plan follows:

**Spring**

- National Teach Children to Save Month – April:
  1. Radio ads on Network Indiana plus the following markets:
    - Indianapolis
    - Ft. Wayne
    - South Bend
    - Evansville*(Approximately 3,200 ads during the three-week period)*
  2. Editorial to statewide newspapers plus Indy's Child
  3. Print ads in Indy's Child and Indianapolis Woman
  4. Elementary and high school visits



- Sponsorship of Wizards Baseball Reading Program:
  1. Concourse signage
  2. Game program ad
  3. PA announcements during home games
  4. Radio ads during home games
  5. Reading Winners on-field scholarship presentations
  6. Scoreboard displays
- Continue Future Leaders Program
- Continue elementary and high school visits

### **Summer/Fall**

- Partnership with Indiana Ice Reading Caravan Program:
  1. Minimum 180 on-air announcements on WZPL (Indianapolis)
  2. Interviews on News Talk 1430 and 107.9
  3. Joint appearances at IPS and township schools
  4. 20 radio ads on WZPL
  5. Name/logo on all promo materials
  6. PA announcements during Ice games
  7. Video segments during Ice games
  8. Intermission contest at Ice game featuring CC
  9. Inclusion in season-ending awards ceremony at Ice game rewarding top readers
- WIBC/CollegeChoice 529 Plan Scholarship Giveaway:
  1. 7,800 statewide radio ads to run July, August, November and December
  2. 180 radio ads on WIBC during July, August, November and December
  3. Minimum of 300 announcements for promotion
  4. In-store promotion at Marsh stores
  5. Live interview on WIBC morning show
  6. Announce \$10,000 CollegeChoice Plan winner at ceremony
- Continue Future Leaders Program and host 2005/2006 Future Leaders lunch in Indianapolis
- Print ads in Indianapolis Woman, Indianapolis Recorder, and Indy's Child (plus editorials in July and September)

## **Winter**

- *Give the Gift of Education Campaign*
  1. Radio ads on Network Indiana November and December
  2. Print ads in local and regional papers and in Indianapolis Woman and Indy's Child
  3. Editorials to statewide newspapers
- Continue elementary and high school visits

### **34. How many employers currently offer payroll deduction?**

There are currently 70 employers offering payroll deduction.

### **35. What is the primary goal for regional and national distribution of the Advisor Plan? If a Provider can provide an Advisor Plan, but not a nationally distributed one, and still meet the Authority's goal of broad in-state distribution, as well as any other goals, will that be sufficient?**

The Authority will consider a proposal structured in this manner.

### **36. Does the Authority own the trademark or a continuing license for the usage of the name and logo for the *CollegeChoice 529 Investment Plan*? If not, would the new program manager work with the Authority to develop a new names and logo? Does the Authority own the URL for the website?**

The current program manager owns both the logo and URL for CollegeChoice. The current program management agreement provides for the transfer of the logo and the URL to the Authority in the event the agreement is terminated.

### **37. Under Selection Process and Criteria it is stated that the Authority reserves the right to add additional Providers at any time, particularly in the area of marketing and Savings Plan education. Has the Authority done this in the past? Are there any vendors outside of the program manager that are currently being used?**

The Authority has hired a local marketing firm in the past to assist with in-State marketing. However, the Authority is no longer utilizing the firm's services.

## **Customer Service**

### **38. Outside of normal costs does the Authority expect any extraordinary costs associated with modification of the toll-free number?**

No.

**39. Page 2, 5: Providers should also consider their "ability to provide domestic call center services." Does domestic mean Indiana or does it mean the United States?**

United States.

**40. On page 22, under Customer Service, 1, The provider will describe its strategies for transmitting and sharing databases of callers to and with the Savings Plan, as well as ensuring the confidentiality of the database. And 2, The Provider will include in the discussion the steps that will be taken to ensure that the Savings Plan database is not combined with other databases maintained by the Provider. What database information is this referring to? Is it the database referred to in 1.a. on page 13?**

Yes.

#### **Form of Agreement**

**41. If we partner with someone on the Direct Plan is there only one Attachment B Management Agreement (contemplating that there would be a "primary" provider who signs the Attachment B Agreement with a sub-agreement between the primary provider and the secondary provider) or is there one tri-party agreement with the Authority and both providers, or is there a separate Attachment B Agreement for each firm?**

The Authority is willing to consider any of these arrangements, but in each case, the terms of the Form of Agreement included in the RFP as Attachment B govern.

**42. On page 57, in sections 5(b) and 5(c) of the agreement – The agreement discusses a process for the Authority to approve changes to the Allocation Guidelines. Does the Authority anticipate approving all regular changes in the management of the underlying funds for the aged-based portfolios (either in the actual funds or in the percentages that are invested) or is this process referring to changes in the stand-alone options or major restructuring of the aged-based portfolios?**

The Authority anticipates that the Board will approve all regular changes in the management of the underlying funds, including the age-based and the stand-alone options.

**43. On page 58 in section 6(e) of the agreement -- The agreement refers to "Non-Qualified Withdrawal penalties"; does the Authority anticipate receiving some kind of withdrawal penalty?**

Not necessarily. If the Provider wishes to propose a withdrawal penalty, the proposal should describe the nature and form of the penalty.

- 44. On page 65 in section 13(a) of the agreement -- The agreement refers to "disclosures required by Section 12(d) of this Agreement," but there isn't such a section. What section is referred to?**

The reference in the Form of Agreement should be to "Section 11(d) of this Agreement". The change will be reflected in the final agreement between the Authority and the successful Provider(s).

### **Pricing Schedule**

- 45. On Page 83: Additionally, please include the amount of revenue sharing for each proposed fund. Can you please define what you mean by revenue sharing for each proposed fund. Does this mean that a negotiated contract for the proposed fund has to be completed prior to submitting the RFP?**

The reference to revenue sharing anticipates information regarding any relationships between the Provider and the mutual fund companies whose funds comprise the portfolios. The Authority does not expect that a contract should be negotiated prior to submitting a proposal in response to the RFP.

- 46. On page 83, within the paragraph at the top of the page, it asks: Please complete the following table for the mutual funds or other investments proposed. Additionally, please include the amount of revenue sharing for each proposed fund. Performance information should be provided for the cumulative periods ended June 30, 2007. However, in the table below this, it asks for annualized performance for 3, 5, and 10 year periods. Do you want performance for these time periods on both an annualized and a cumulative basis? Or just annualized?**

Annualized is sufficient.

- 47. On page 84: Please clarify the intent of the table on page 84: The title of the table implies expenses as "...paid by Account Owners to the Provider". However, the table itself would seem to indicate that the expenses are those of the plan provider, not the account owner. Also, should revenues include not only the Program Management Fee, but also the Underlying fund fees? Lastly, "Expenses" title in the table has an asterisk, but no corresponding footnote comments.**

The table encompasses both fees payable by Account Owners to the Provider and a breakdown of the ways in which the Provider intends to utilize those fees.

- 48. On page 85: Describe all relevant aspects of each share class, including ... (iv) any fee sharing or other arrangements with distributors, investment managers,**

**subcontractors or other service providers, How is this a "relevant aspect" of a share class? How should we identify ongoing fees with one time fees (loads) to get a total fee number?**

Fee sharing arrangements should be reflected in the table, either as a gross number in a category with footnote explanation or as a separate line item. Ongoing fees with one time loads can be explained via footnote or in an addition to the table that, in the Providers judgment, best reflects the total fees.

**49. On page 80 - Fiscal Year End - June 30. The plan's fiscal year end is Dec. 31. What is this June 30 date referring to? Are you suggesting that the fiscal year has to change?**

The Authority's fiscal year ends June 30. CollegeChoice has had a fiscal year end of Dec. 31. This fiscal year end may change in the future to coincide with the Authority's fiscal year end.

### **Other**

**50. With the new tax credit – do you have to be the account owner or spouse to qualify or can anyone contribute to the plan and qualify (i.e.: if a grandparent contributes as a non-account owner to the parent owned account does the grandparent qualify for the credit)? And are December 31 postmarks accepted for tax credit purposes?**

Any Indiana taxpayer who is an Indiana resident and who contributes to a CollegeChoice account will receive the tax credit. The question of a December 31 postmark has not yet been addressed by the Authority.

**51. Is the Authority willing to transition the program during the first quarter of 2008 to ensure that the highest level of customer satisfaction can be maintained during the year-end processing period?**

The Authority is willing to consider the first quarter of 2008 for the transition, if applicable.

**52. If BFDS is used as a subcontractor, are three references still required?**

No.

**53. On page 8: under Confidential Information, Providers shall refrain from any direct communication with the participants in the Plan, except as approved in advance by the Authority. Does this mean that we shouldn't communicate without prior approval except in connection with the Plan administration?**

Yes.

- 54. On page 8: under Disbursements, The Provider must supply to the Authority an itemized list of disbursements and tax withholdings and, as the Authority's agent, effect the proper tax reporting forms. What is meant by an itemized list of disbursements and tax withholdings?**

This refers to an annual list of all disbursement and tax information prepared by the program manager.

- 55. On page 24: under Experience and Capabilities, 8, would references refer to the prior Treasurer being that JPMorgan is the current Provider for the CollegeChoice 529 Investment Plan?**

Each Provider must determine the appropriate references to include in its proposal.

#### **QUESTIONS ASKED DURING THE PRE-PROPOSAL CONFERENCE**

- 1. Is there a recapture provision for the tax credit?**

If an unqualified withdrawal (non-education expense) is made during that taxable year the credit will be recaptured. The account also must remain open for at least 12 months. If it is closed prematurely the credit will be recaptured. This issue is addressed in Information Bulletin #98 issued by the Indiana Department of Revenue which is attached to these minutes.

- 2. Do you currently have any retail outlets available where potential account owners can walk in and open an account? How many branches?**

You may open an account at any of the 190 Chase Bank branches in Indiana.

- 3. Can you discuss the marketing being done to date specifically to middle and lower income families?**

The Authority's grassroots efforts try to focus on a number of demographics. Currently we travel to schools around the state promoting the plan to students, teachers and parents, as well as participation in or sponsorship of a number of local events that encompass a wide variety of demographics.

- 4. The Treasurer stated he wanted the "best plan in the country." Can you prioritize what you define "best" to mean?**

The Authority would like this to be the best plan in the country, but most importantly the best plan for Hoosiers. Our current priorities include:

Low Fees - competitively priced  
Simplified Fees – easy to understand  
Customer Service – call center of trained professionals that can handle customer concerns appropriately  
Investment Options – offer at least the current amount and a wide arrange of investment options.

**5. Of the four areas referenced in answer to Question 4 above, is the priority for low fees or performance?**

The goal of the Authority is to not necessarily be the lowest priced plan in the country. However it needs to be fairly priced for each component part of the program. The Authority would like to retain the ability to replace options that are not performing as well they should be.

**6. Can you elaborate on what the Authority feels adds to the simplicity of the Plan?**

The Authority would like to have a fee structure that is less complex and easy to understand. We would also like to limit the number of and type of fees in this effort to simplify the structure. The Authority would like to see fees for Indiana residents remain advantageous for Hoosiers. Providers should consider whether the Direct Plan and the Advisor Plan should have different investment options in order to achieve this goal.

**7. The RFP under Services Provided asks for actual annual rates of return credited under each plan within the last 3 years for other states we are involved with. Are you looking for every investment option for every plan? And are you looking for an annual return for each of the 3 years or an annualized return?**

Annualized returns on a state by state or consolidated basis would be sufficient.

**8. The financial table on page 84 asks to assume trends. Should we assume our own growth projections for the plan participants?**

Yes- The Authority is looking for your expectations on where you see the plan going in the next 7 years.

**9. Can you explain Capital Cities' role?**

Capital Cities provides traditional investment consulting services to CollegeChoice including asset allocation modeling, investment policy development, manager search and manager monitoring. They also provide a performance review to the Authority on a quarterly basis and will assist in the evaluation of all proposals submitted.

**10. Pg. 83 states “please provide the amount of revenue sharing for each proposed fund.” Does this mean if the plan administrator offers third party mutual funds in the Plan you want to know if there is any revenue sharing going on between the administrator and the mutual fund?**

Yes

**11. Are there any restrictions currently on the Direct Plan in terms of distribution, whether to IN residents or non-residents?**

Currently the Direct Plan is only available for Hoosiers in Indiana. However, the Authority would be willing to review a proposal that includes the Direct Plan being available to out of state residents.

**12. Could you rate on a scale of 1-10 the marketing efforts of the current provider?**

The Authority is very satisfied with the current efforts and level of commitment of the current Provider.